



Review and Accept the Fiscal Year 2021-2022 Annual Comprehensive Financial Report and Related Audits

Action

Prepared by: Loretta Su

Attachments: Yes

Approved by: James Corless

Referring Committee: Policy & Innovation

1. Issue:

Two independent financial audit firms completed the audits of SACOG's financials and Transit Funds and prepared the Annual Comprehensive Financial Report (ACFR) and the Transit Funds Audit Reports, respectively. The ACFR reports on the financial position of SACOG, including several transit funds managed by SACOG, for the fiscal year ending June 30, 2022.

2. Recommendation:

The Policy and Innovation Committee unanimously recommends that the board review and accept the ACFR and related audits for the fiscal year ending June 30, 2022.

3. Background/Analysis:

As a Metropolitan Planning Organization (MPO), SACOG receives federal funds directly from federal agencies and federal funds pass-through the California Department of Transportation (Caltrans). Therefore, SACOG must annually undergo a financial audit by an independent financial auditor and issue a report on the financial position of SACOG at June 30, of each year.

As a Regional Transportation Planning Agency (RTPA) for the counties of Sacramento, Sutter, Yolo and Yuba, SACOG is responsible for the allocation of State Transit Assistance (STA) funds. Funds for the STA program are provided by the State from the statewide sales tax on motor vehicle fuel (gasoline) and use fuel (diesel). The state allocates 50 percent of STA funds based upon the region's share of the state population, and 50 percent based upon transit operator revenues for the prior fiscal year as a share of statewide transit operator revenues. SACOG distributes funds to transit operators and jurisdictions within its region for transportation planning, public transportation, and community transit.

The Local Transportation Fund (LTF) was created under the Transportation Development Act to provide funding for public transportation. As with the STA and State of Good Repair (SGR) programs, the LTF program only covers the counties of Sacramento, Sutter, Yolo and Yuba. Funds for the LTF program are derived from ¼-cent of the retail sales tax collected statewide by the California Department of Tax and Fee Administration (CDTFA), as statutorily created and authorized successor to the former California State Board of Equalization. The money is returned to each county, through the RTPA, based upon the sales tax collected in that county. SACOG distributes these funds to public agencies for transit services, pedestrian and bicycle facilities, and streets and roads funding and these funds are required to be audited annually.

The Senate Bill (SB 1), the Road Repair and Accountability Act of 2017, created a new program, the SGR Program. Funds for the SGR program are provided by the state from the new Transportation Improvement Fee assessed on vehicle registrations starting January 1, 2018. SGR funds are distributed to regions based on the same formula as the STA program. SACOG distributes funds to transit operators for capital assistance to rehabilitate and modernize existing local transportation systems, including the purchase of new vehicles and the maintenance and rehabilitation of transit facilities and vehicles.

4. Discussion/Analysis:

This ACFR is for the fiscal year ending June 30, 2022. SACOG received an unmodified (clean) opinion for SACOG Financial and Transit Funds Audits.

The SACOG CAFR (**Attachment A**) is broken into several sections:

- **Introductory Section:** This section includes a letter of transmittal, which is an executive summary introducing the financial statements along with other required information.
- **Financial Section:** This section includes the independent auditor's report from Eide Bailly, LLP; the Management Discussion and Analysis; which is the management overview of the financial position and activity during the fiscal year; a description of how the budget is adopted and managed; identification of any major issues and projections for the future; and the actual financial statements.
- **Statistical Section:** This section contains various unaudited demographics of the Sacramento region and historical financial information of SACOG.
- **Single Audit Section:** This section is a requirement for agencies that receive federal grants/awards in excess of \$750,000 and includes the auditor's report on their findings and any questions costs, as it relates to the federal grant programs. SACOG Single Audit resulted in no findings.

Attachment B is the required SAS 114 letter (Governance Letter) for the SACOG financials audit, which addresses any audit findings, difficulties encountered in performing the audit, corrected and uncorrected misstatements, and any disagreements with management.

Richardson & Co. conducted audits of several transit funds managed by SACOG, including LTF funds for the counties of Sacramento, Sutter, Yolo and Yuba and SACOG STA and SGR funds. The LTF, STA and SGR funds are part of the CAFR. **Attachment C** contains the four counties LTF Audit Reports. **Attachment D** is the STA and SGR Audit Report. **Attachment E** is the required SAS 114 letter (Governance Letter) for the Transit Funds Audits, which addresses any audit findings, difficulties encountered in performing the audit, corrected and uncorrected misstatements, and any disagreements with management.

5. Fiscal Impact/Grant Information:

The costs for outside auditing services were included in the 2022-2023 budget.